1. **Policy Statement**

To set guidelines and boundaries for the investment of Hinchinbrook Shire Council surplus cash balances which meet the requirements of the Statutory Bodies Financial Arrangements (SBFA) Act 1982 and its regulation, support Council’s investment and risk philosophy and provide a sequential process to be followed in undertaking investment activities.

2. **Scope**

This policy applies to the investment of all cash holdings of Hinchinbrook Shire Council.

3. **Responsibility**

The Chief Financial Officer is responsible for ensuring that this policy is understood and followed.

4. **Definitions**

**Surplus Cash Balances** - For the purpose of this policy, surplus cash balances are Council’s cash holdings available for investment at any one time after consideration of the amount and timing of Council’s cash flow needs. Surplus cash balances do not include Council’s trust account balances which are to be invested with Commonwealth Bank Business Online Saver Account.

**Authorised Investments** – Authorised investments are as permitted under the SBFA Act 1982, and in accordance with the Category 1 Investment Powers applicable to Hinchinbrook Shire Council under the SBFA Regulation 2007.

**Prescribed Investment Arrangements** – Investments listed at Schedule 6 of the SBFA Regulation 2007.

5. **Policy**

**Investment Risk Philosophy**

Council maintains a conservative and risk averse investment philosophy for its surplus cash investments. As the custodian of public monies Council chooses to secure its capital base but take the opportunity to produce revenue from cash assets as far as possible within established risk averse constraints.

**Objective**

- To maximise earnings with funds not immediately required for financial commitments.
- To invest funds at the most advantageous rate of interest available to it at the time, for that investment type, and in a way that it considers the most appropriate given the circumstances.
- To preserve capital.
Prudent Person Standard

Officers responsible for investing local government funds must act with a duty of care, skill, prudence and diligence that a prudent person would exercise when investing and managing their own funds. Conflicts of interest must be recorded and disclosed to the Chief Executive Officer.

Range of Investments

Hinchinbrook Shire Council has Category 1 investment power under the SBFA Act 1982.

A Category 1 investor is permitted to invest at call or for a fixed period of no more than one year in the following ways:

- Deposits with a financial institution;
- Investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- Other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
- Investment arrangements, managed or offered by QIC or QTC, prescribed under a regulation of the SBFA Act 1982;
- An investment arrangement with a rating prescribed under a regulation of the SBFA Act 1982;
- Other investment arrangements prescribed under a regulation of the SBFA Act 1982.

All investments must be denominated in Australian Dollars and undertaken in Australia.

The QIC Cash Fund, QTC Capital Guaranteed Cash Fund, QTC Debt Offset Facility, QTC Fixed Rate Deposit (up to 12 months) and the QTC Working Capital Facility are prescribed investment arrangements. Standard and Poor’s (Australia) Pty Ltd ratings of A-1+, A-1, Aam or AAAm are prescribed ratings.

Assessment of Surplus Cash Balance

Surplus cash balances must be determined in accordance with the Investment procedure.

Credit Risk Guidelines

The minimum and maximum invested surplus cash with any line of credit risk must conform with the following:

Table A:

<table>
<thead>
<tr>
<th>Long-term credit rating# or financial institution</th>
<th>Short-term credit rating#</th>
<th>Minimum % of total investments or minimum value</th>
<th>Maximum % of total investments or maximum value</th>
<th>Maximum Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>QTC Capital Guaranteed Cash Fund</td>
<td></td>
<td>20%</td>
<td>100%</td>
<td>(At Call)</td>
</tr>
</tbody>
</table>
**Table A: Credit Risk Guidelines**

- QTC recommends that caution should be exercised with respect to investing funds with unrated institutions. Hinchinbrook Shire Council may choose to invest with an unrated facility to encourage that facility to remain in the Hinchinbrook Shire. The decision to invest in an unrated facility must be balanced off against the credit worthiness of the institution.

- The credit worthiness of an unrated financial institution should be assessed with regard to the most recent audited financial statements and Capital Adequacy Disclosure of that institution.

- Before rollover of existing investments or undertaking new investments the credit rating of the investment institutions used or intended to be used by Council should be assessed.

- In the event of published economic downturn or instability the credit rating of the investment institutions used by Council should be reassessed and remedial action taken if necessary.

- Queensland Treasury Corporation may be used to assist with financial institution credit ratings. This information should be available from the relevant financial institution web site.

**Quotations and Fair Value**

At least three (3) verbal quotations must be obtained and noted from authorised institutions when investing surplus cash however this requirement does not apply to investing within the prescribed investment arrangements.

In general, financial institutions with lower credit ratings have a higher credit risk and therefore, the interest rate received on the investment should be higher reflecting the higher level of risk.

The quotes received should be considered relative to the assessed risk of the financial institution.

**Terms to maturity**

The term to maturity of the surplus cash investment must be determined taking into consideration Council’s future cash flow needs, credit risk guidelines and the prevailing outlook regarding interest rates.

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## # Most recently available credit ratings from Standard & Poor’s.

**Most building societies and credit unions are unrated financial institutions.**

### Terms to maturity and interest rates

<table>
<thead>
<tr>
<th>Rating</th>
<th>Rating</th>
<th>Amount</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+ to A-</td>
<td>A-1+</td>
<td>0</td>
<td>50%</td>
</tr>
<tr>
<td>AA to AA-</td>
<td>A-1</td>
<td>0</td>
<td>40%</td>
</tr>
<tr>
<td>A-1</td>
<td>A-2</td>
<td>0</td>
<td>30%</td>
</tr>
<tr>
<td>BBB+ to BBB</td>
<td>A-3</td>
<td>0</td>
<td>20%</td>
</tr>
<tr>
<td>BBB-</td>
<td>Unrated**</td>
<td>0</td>
<td>5%</td>
</tr>
<tr>
<td>Unrated **</td>
<td>Unrated**</td>
<td>0</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

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The term cannot exceed one (1) year for any investment.

**Reporting requirements**
Reporting procedures must be established to ensure the investments are being reviewed and overseen regularly.

### 6. Legal Parameters
Local Government Regulation 2012.

### 7. Associated Documents
- Investment Procedure